

Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 CIAE-00 DODE-00 PM-07 H-02 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12 EB-11

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P R 280845 Z JUN 73

FM USMISSION BERLIN

TO AMEMBASSY BONN PRIORITY

INFO SECSTATE WASHDC PRIORITY 1995

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY PARIS

USMISSION NATO

C O N F I D E N T I A L SECTION 1 OF 2 BERLIN 1095

E. O. 11652: GDS

TAGS: ENRG, WB, EG

SUBJECT: GDR OIL PIPELINE TO BERLIN

REF: A. BERLIN 1000 B. BERLIN 1055

1. SUMMARY: SENATOR FOR ECONOMICS KOENIG AND HEAD OF SENAT
CHANCELLERY HERZ PROVIDED FURTHER DETAILS ON GDR
PIPELINE PROPOSAL TO ALLIED MISSION REPRESENTATIVES
JUNE 27 AND URGED EARLY ALLIED APPROVAL TO PURSUE
SUBSTANTIVE TALKS. SENAT AGREED TO CONVERT DRAFT
RESPONSE FROM HERZ TO GDR STATE SECRETARY IN FOREIGN
MINISTRY FLORIN TO BLIND MEMORANDUM, BUT OTHERWISE
RESISTED SUGGESTION THAT TEXT BE ALTERED TO INCLUDE
REFERENCE TO FRG REPRESENTATION OF SENAT INTERESTS.
WE WOULD FAVOR FURTHER BONN GROUP EFFORT TO INTRODUCE
SUCH REFERENCE. ACTION REQUESTED: EMBASSY AND
DEPARTMENT COMMENTS ON SENAT RESPONSE TO GDR (TEXT
BELOW), SUGGESTIONS PARAS 7 AND 8, BELOW, AND ANY OTHER MATTERS
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THEY BELIEVE SHOULD BE RAISED BEFORE GIVING ALLIED GO- AHEAD. END SUMMARY.

2. AT MEETING WITH ALLIED MISSION REPRESENTATIVES
JUNE 27, SENATOR FOR ECONOMICS KOENIG AND HEAD OF
CHANCELLERY HERZ REQUESTED EARLIEST POSSIBLE ALLIED
CONCURRENCE IN RESPONSE TO GDR INDICATING SENAT
WILLINGNESS TO GO AHEAD WITH PLANS FOR OIL PIPELINE
TO WEST BERLIN. PRIOR TO MEETING SENAT PROVIDED
SUMMARY OF DISCUSSIONS TO DATE, INDICATING PRIVATE
CONSULTING FIRMS HAD BEEN IN CONTACT SINCE NOVEMBER 19,
1972, WITH WESTERN OIL REPRESENTATIVES
HAVING COMMENCED TALKS IN EAST BERLIN AS OF JUNE 7,
1973. SENAT ALSO PROVIDED DRAFT LETTER TO STATE
SECRETARY FOR FOREIGN AFFAIRS FLORIN FROM HERZ, AS FOLLOWS:

BEGIN TEXT: THE SENAT OF BERLIN, WITH SATISFACTION, HAS TAKEN
COGNIZANCE OF THE INFORMATION OF THE GDR GOVERNMENT
CONCERNING ITS READINESS TO CONSENT TO THE CONSTRUCTION
AND OPERATION OF A PETROLEUM PRODUCTS PIPELINE TO BERLIN (WEST).
IT IS APPRECIATED THAT THE INTEREST IN A LONG- TERM
REGULATION WILL BE TAKEN INTO ACCOUNT.

THE SENAT, ON ITS SIDE ALSO, IS READY TO CREATE THE PREREQUISITES
NECESSARY FOR THE REALIZATION OF THE PROJECT. IT PROCEEDS FROM THE
PREMISE THAT THE TECHNICAL DETAILS OF A PRODUCTS LINE WILL BE
CLARIFIED BETWEEN THE COMMERCIAL PARTNERS AT THEIR NEXT DISCUSSIONS.

THE HEAD OF THE OFFICE FOR INTERZONAL TRADE HAS BEEN ASKED
TO CLARIFY CONCLUSIVELY AS SOON AS POSSIBLE THE MANNER AND EXTENT
OF DELIVERIES AND SERVICES YET TO BE AGREED UPON IN THIS REGARD.
END TEXT.

3. ALLIED POLADS, COMMENT ON TEXT, NOTED THAT: (1) IT WOULD APPEAR
BETTER TO PRESENT GDR REPRESENTATIVES WITH SIMPLE UNADDRESSED
MEMORANDUM, MORE OR LESS CORRESPONDING TO GDR " AIDE MEMOIRE"
WHICH HAD BEEN PRESENTED TO GOVERNING MAYOR; AND, (2) INASMUCH AS
GDR
AIDE MEMOIRE SPOKE ABOUT REACHING LONG- TERM SETTLEMENT (REGELUNG)
WITH GDR AND CONDUCTING REQUISITE NEGOTIATIONS WITH SENAT ON PIPE-
LINE CONSTRUCTION TO BE RECORDED IN REQUISITE AGREEMENTS (ERFOR-
DERLICHEN VEREINBARUNGEN), IT WOULD SEEM APPROPRIATE TO INDICATE
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IN SENAT RESPONSE INTENT TO HAVE FRG REPRESENT INTERESTS OF SENAT
WITH GDR.

4. SENAT REPRESENTATIVES HAD NO TROUBLE FIRST POINT, BUT SAID
THAT TEXT OF RESPONSE ALREADY HAD BEEN AGREED BY FRG AND LANGUAGE
CONCERNING TREUHANDSTELLE WAS CLOSEST REFERENCE TO FRG REPRE-

SENTATION OF SENAT THAT WOULD BE FEASIBLE. KOENIG AND HERZ SAID THAT IT WAS ANTICIPATED TREUHANDSTELLE WOULD STAY WITH NEGOTIATIONS FROM START TO FINISH, AND NO SUPPLEMENTARY NEGOTIATIONS WOULD BE REQUIRED EXCEPT POSSIBLY FOR LOCAL SENAT- GDR AGREEMENT CONTAINING DETAILS ON HOW PIPELINE WOULD CROSS WALL.

5. AT JUNE 27 MEETING, SENATOR KOENIG PROVIDED ADDITIONAL DETAILS ON FUEL SUPPLY AND DEMAND PROJECTIONS FOR BERLIN THROUGH 1985, ASSUMING PIPELINE CONSTRUCTION (COPIES POUCHED EMBASSY AND DEPARTMENT). THESE INDICATED DELIVERIES OF OIL PRODUCTS FROM EAST WOULD INCREASE FROM 0.9 MILLION TONS IN 1972 (0.7 FROM GDR PLUS 0.2 FROM POLAND) TO 1.9 MILLION TONS IN 1976, AT WHICH TIME PERCENTAGE DEPENDENCY ON EAST WOULD BE 38 FOR HEAVY FUEL OIL, 52 FOR LIGHT FUEL OIL, 50 FOR GASOLINE AND 71 FOR LIGHT BENZINE. ALL THESE PERCENTAGES ARE ESTIMATED TO DECLINE TO LESS THAN 50 BY 1985 AS CONSUMPTION INCREASES. (COMMENT: ABOVE FIGURES ASSUME SUBSTANTIAL SHIFT FROM COAL TO OIL AS WEST BERLIN ENERGY SOURCE, THUS IMPLYING LESSENED FRG SUPPORT FOR RUHR COAL INDUSTRY.) KOENIG SAID SENAT WOULD INSIST ON TWENTY YEARS AS MINIMUM DURATION OF INITIAL SUPPLY AGREEMENT. HE INDICATED 450 MILLION DM COST FOR PIPELINE AND REFINERY WOULD BE FINANCED THROUGH DELIVERIES UNDER IZT ARRANGEMENTS AND WOULD BE PAID OFF IN FIVE YEARS. HE WAS UNABLE TO EXPLAIN, HOWEVER, HOW FINANCING WOULD BE ARRANGED DURING FIRST FEW YEARS UNTIL PRODUCTS BECAME AVAILABLE. ASKED HOW PIPELINE PROJECT FITTED IN WITH OTHER ENERGY PROPOSALS SUCH AS CONSTRUCTION OF TRANSMISSION LINE BETWEEN FRG AND WEST BERLIN OR SUPPLY OF NATURAL GAS, KOENIG SAID ALL THIS HAD BEEN TAKEN INTO ACCOUNT (WITHOUT INDICATING HOW), BUT EMPHASIZED THAT IMMEDIATE INTEREST WAS TO TAKE ADVANTAGE OF OPPORTUNITY TO MEET WEST BERLIN' S ENERGY NEEDS IN WHAT SEEMED TO BE A MUTUALLY BENEFICIAL WAY. HE POINTED GLOOMY PICTURE OF POSSIBLE ENERGY CRISIS FOR WEST BERLIN OF SERIOUS PROPORTIONS IN ABOUT TEN YEARS UNLESS SOME ACTION WERE INITIATED NOW.

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6. SENAT REPS SAID OIL COMPANIES (ESSO, BP, SHELL, ARAL, AGIP, AND REX, REPRESENTING INDEPENDENTS) WERE TO MEET WITH EAST GERMANS JULY 5, AND URGED ALLIES TO GIVE APPROVAL TO PROPOSED RESPONSE TO GDR WITHIN NEXT FEW DAYS. ALLIED REPS INDICATED THEY WOULD ATTEMPT TO PROVIDE RESPONSE BY JULY 2.

7. COMMENT: PIPELINE PROJECT, BOTH IN TERMS OF MONEY AND GEOGRAPHIC AREA CONCERNED, IS SUBSTANTIALLY DIFFERENT FROM LOCAL UNDERTAKINGS SUCH AS RECENT REFUSE- DISPOSAL AGREEMENT. DESPITE SENAT' S GOOD INTENTIONS, IT MAY HAVE DIFFICULTY RESISTING GDR EFFORTS TO CONCLUDE SOME SORT OF ARRANGEMENT DIRECTLY WITH SENAT

THAT WOULD CLOSELY RESEMBLE FORMAL INTERNATIONAL AGREEMENT. WE THEREFORE RECOMMEND THAT DRAFT RESPONSE TO GDR FROM SENAT BE ADDRESSED IN BONN GROUP WITH VIEW TO INTRODUCING PHRASEOLOGY THAT WOULD AT MINIMUM INDICATE PROPOSAL HAD BEEN DISCUSSED WITH AND APPROVED BY FRG. WE ALSO RECOMMEND EMBASSY EXPLORE

WITH FRG RELATIVE BALANCE OF PROSPECTIVE ENERGY SOURCES TO DETERMINE EXTENT OF WEST BERLIN' S LIKELY DEPENDENCE ON EAST FOR OIL, SHOULD PIPELINE BE COMPLETED WHILE COAL WAS STILL

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SUPPLIED AT PRESENT LEVEL FROM WEST. (EMBASSY MIGHT ALSO ASK ABOUT POSSIBLE IMPACT TRANSMISSION LINE AND NATURAL GAS PROPOSAL) WE DO NOT BELIEVE SUPPLY OF FUEL FOR ALLIED FORCES AND CIVIL AVIATION IN BERLIN IS LIKELY TO BE MAJOR PROBLEM, BUT WE WOULD SUGGEST FRG ASSURANCE BE SOUGHT THAT SUFFICIENT INFRA- STRUCTURE BE MAINTAINED FOR CONTINUED WESTERN SOURCES AND WILL SIMILARLY APPROACH SENAT IN THIS REGARD.

8. IF AND WHEN ALLIES APPROVE PROPOSED SENAT REPLY TO GDR, WE RECOMMEND SENAT BE PUT ON NOTICE THAT ANY AGREEMENT BETWEEN SENAT AND GDR THAT SHOULD PROVE NECESSARY WILL REQUIRE PRIOR ALLIED CONCURRENCE. PENDING BK/ L ON SENAT- GDR ARRANGEMENTS WOULD, OF COURSE,

COVER THIS POINT. END COMMENT.

9. ACTION REQUESTED: EMBASSY AND DEPARTMENT VIEWS ON
RECOMMENDATIONS PARAS 7 AND 8 ABOVE AND ANY OTHER MATTERS RE-
LATED TO PIPELINE PROJECT. KLEIN

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